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INFO USICA WASHDC

AMCONSUL KADUNA

AMCONSUL IBADAN

C O N F I D E N T I A L SECTION 1 OF 5 LAGOS 4430

E.O. 11652: GDS

TAGS: PINT, ECON, MILL, NI

SUBJECT: BIMONTHLY REVIEW OF THE NIGERIAN SCENE

REF: LAGOS 1636

1. SUMMARY. SUMMARY. SOME STRAIN DEVELOPED IN THE US-NIGERIAN RELATIONSHIP DURING FEBRUARY AND MARCH BECAUSE OF FMG APPREHENSION THAT THE US WAS MOVING WITH THE UK TOWARDS ACCEPTANCE OF THE INTERNAL SETTLEMENT AGREEMENT WHICH HAD BEEN REACHED ON RHODESIA. AT THE END OF THE MONTH, HOWEVER, THE LAGOS VISIT OF PRESIDENT CARTER BROUGHT NEW WARMTH AND STRENGTH TO THE ENTIRE RELATIONSHIP. FMG OFFICIALS WERE GREATLY IMPRESSED BY THE PRESIDENT'S OBVIOUS SINCERITY AND WERE PARTICULARLY GRATIFIED BY THE FIRM EVIDENCE THE VISIT PROVIDED THAT THE US REGARDS THE INTERNAL SETTLEMENT AS UNACCEPTABLE, SOLIDLY BACKS THE ANGOLO-AMERICAN PLAN, AND WILL KEEP PRESSURE ON THE BRITISH AND OTHER PARTIES CONCERNED TO PURSUE THE IMPLEMENTATION OF THAT PLAN. THE NIGERIAN PRESS GAVE EXTENSIVE
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COVERAGE TO THE VISIT BUT RARELY NEGLECTED TO REMIND ITS READERS OF THE LARGE GAP THAT EXISTS BETWEEN FMG AND USG POLICIES TOWARDS SOUTH AFRICA. IN THE PERIOD IMMEDIATELY AHEAD, US POLICY IN RELATION TO RHODESIA AND NAMIBIA, AS WELL AS SOUTH AFRICA ITSELF, WILL CONTINUE TO BE CRUCIAL WITH REGARD TO IMPROVEMENT OR DETERIORATION IN THE US-NIGERIAN RELATIONSHIP.

2. ON THE INTERNAL POLITICAL SCENE A PLOT BY DISGRUNTLED NCO'S BASED IN KADUNA WAS EASILY NIPPED IN THE BUD BUT DEMONSTRATED THAT POTENTIALITIES FOR A SERIOUS COUP ATTEMPT STILL EXIST. THERE WAS WIDESPREAD INTEREST IN THE STATE-BY-STATE RESULTS OF THE NATIONAL VOTERS' REGISTRATION EXERCISE BECAUSE THESE WILL AFFECT THE ALLOCATION OF SEATS IN THE HOUSE OF REPRESENTATIVES AND THE FORMATION OF POLITICAL ALLIANCES. SINCE MORE THAN HALF OF THE REGISTERED VOTERS APPEAR TO BE IN STATES TRADITIONALLY CONSIDERED PART OF THE NORTH, IT IS CLEAR THAT THE TRADITIONAL POLITICAL CLOUT OF THE NORTH WILL REAPPEAR IN THE NEW CIVILIAN REGIME, TO THE EXTENT THAT REGIONAL BLOCS OPERATE AS COHESIVE UNITS. THE CONSTITUENT ASSEMBLY CONTINUED TO MAKE RAPID PROGRESS ON THE DEVELOPMENT OF THE TEXT FOR A NEW CONSTITUTION AND SHOULD BE FINISHED WITH ITS WORK BEFORE THE OCTOBER 1 DEADLINE SET BY THE FMG.

3. WITH OIL PRODUCTION IN THE FIRST QUARTER OF 1978 DOWN BY A THIRD FROM LAST YEAR, THE FMG HAS BEGUN TIGHTENING ITS BELT IN EARNEST. IN REAL TERMS, THE NEW ANNUAL BUDGET IS 30 PERCENT LOWER. PROSPECTS FOR GROWTH ON THE SAME SCALE AS DURING THE PAST SEVERAL YEARS ARE BLEAK. MAJOR CAPITAL PROJECTS CONTINUE TO BE CANCELLED. NEW IMPORT RESTRICTIONS AND HIGHER IMPORT DUTIES WILL REDUCE IMPORTS FROM ABROAD, BUT PROSPECTS ARE MORE ENCOURAGING

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FOR A BETTER INVESTMENT CLIMATE, A CHANGE CRITICALLY NEEDED TO STIMULATE DOMESTIC OUTPUT. INFLATION SHOULD DAMPEN IN THE LONG RUN IF SUPPLY BECOMES MORE ABUNDANT, BUT THE SHORT RUN FORECAST IS FOR A HEADY SPIRAL IN COSTS. ADDING TO THE FRUSTRATION INCREASINGLY FELT IN BOTH PUBLIC AND PRIVATE SECTORS IS A CONTROVERSIAL NEW LAND TENURE DECREE OF MARCH 29 WHICH PUTS CONTROL AND MANAGEMENT OF ALL LAND UNDER STATE AND LOCAL GOVERNMENTS. IT IS ENCOUNTERING HEAVY PROTEST, PARTICULARLY IN THE SOUTH, AND COULD BECOME A VERY TROUBLESOME ISSUE FOR THE PRESENT REGIME. END SUMMARY.

EXTERNAL RELATIONS:

4. THE IMPROVED RELATIONSHIP BETWEEN THE FMG AND THE USG WAS SUBJECTED TO SOME STRAIN WHEN THE ANNOUNCEMENT WAS MADE IN SALISBURY OF AN AGREEMENT IN PRINCIPLE ON A RHODESIAN INTERNAL SETTLEMENT AND A U.S. SPOKESMAN CHARACTERIZED THIS AGREEMENT AS 'A SIGNIFICANT STEP'. EXISTING NIGERIAN SUSPICION THAT THE US AND THE UK MIGHT PREFER AN INTERNAL SETTLEMENT TO IMPLEMENTATION OF THE ANGLO-AMERICAN PLAN INCREASED SHARPLY AT THAT TIME AND WAS ONLY SLIGHTLY ALLAYED BY SUBSEQUENT USG STATEMENTS WHICH WERE MORE

CRITICAL OF THE INTERNAL SETTLEMENT AND REEMPHASIZED US
SUPPORT OF THE ANGLO-AMERICAN PLAN.

5. SUBSEQUENTLY, HOWEVER, PRESIDENT CARTER'S VISIT TO
LAGOS FROM MARCH 31 TO APRIL 3 BROUGHT NEW WARMTH AND
STRENGTH TO US-NIGERIAN RELATIONS. FIRSTLY, THE PRESIDENT
CONVEYED A STRONG IMPRESSION OF SINCERITY AND WARMTH TO
VIEWERS AND LISTENERS. SECONDLY, THE BILATERAL DISCUSSIONS,
PUBLIC STATEMENTS BY THE PRESIDENT, AND SECRETARY VANCE'S
MEETINGS WITH FRONT LINE FOREIGN MINISTERS DEMONSTRATED
TO THE FMG THAT THE US REGARDS THE INTERNAL SETTLEMENT
AS UNACCEPTABLE; THAT IS SOLIDLY BACKS THE ANGLO-AMERICAN
PLAN; AND THAT IT WILL APPLY PRESURE ON THE BRITISH AND
OTHER PARTIES CONCERNED TO IMPLEMENT THAT PLAN. THIRDLY,
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THE VISIT PRODUCED A LARGE MEASURE OF AGREEMENT BETWEEN
THE TWO GOVERNMENTS WITH REGARD TO THE NAMIBIAN ISSUE.
FOURTHLY, THE DISCUSSIONS MATERIALLY ADVANCED OUR JOINT
EFFORTS TO IMPROVE OUR COLLABORATION IN APPROACHING
NIGERIA'S ECONOMIC DEVELOPMENT PROBLEMS.

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6. THE PRESS GAVE EXTENSIVE COVERAGE TO THE VISIT BUT ALMOST ALL EDITORIAL COMMENT REMINDED READERS OF PAST AND PRESENT POLICY DIFFERENCES BETWEEN THE TWO COUNTRIES -- PARTICULARLY THAT THE US IS NOT PREPARED TO GO NEARLY AS FAR IN EXERTING PRESSURE ON SOUTH AFRICA AS THE FMG WOULD LIKE.

7. IN THE PERIOD IMMEDIATELY AHEAD, US POLICY IN RELATION TO RHODESIA, NAMIBIA AND SOUTH AFRICA WILL CONTINUE TO BE CRUCIAL WITH REGARD TO THE TREND OF THE US-NIGERIAN RELATIONSHIP. DESPITE THE EXCELLENT IMPRESSION WHICH THE PRESIDENT'S VISIT MADE ON NIGERIAN OFFICIALS, THE FMG IS STILL STRONGLY ATTACHED TO ITS PUBLIC POSTURE OF NON-ALIGNMENT AND WILL REMAIN WARY OF PROVIDING FURTHER AMMUNITION TO CRITICS WHO POINT TO THE OBASANJO VISIT IN WASHINGTON AND THE PRESIDENT'S VISIT IN LAGOS AS EVIDENCE OF A PRO-AMERICAN FOREIGN POLICY TILT. FOR THIS REASON THE FMG MIGHT WELL BE RECEPTIVE TO A PROPOSAL THAT OBASANJO VISIT MOSCOW OR THAT A HIGH-LEVEL SOVIET VISIT BE MADE TO LAGOS.

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8. THROUGHOUT FEBRUARY AND MARCH THE FMG CONTINUED TO DEMONSTRATE INTEREST IN CONTRIBUTING TO A SETTLEMENT OF THE SOMALI-ETHIOPIAN DISPUTE BUT FAILED TO MAKE NOTICEABLE PROGRESS IN ITS CAPACITY AS CHAIRMAN OF THE OAU GOOD OFFICES COMMITTEE. THE FMG WAS CONSISTENT IN ITS RELUCTANCE TO ADMIT THE OAU'S FAILURE IN THIS REGARD OR TO ENDORSE REFERRAL OF THE ISSUE TO THE UN SECURITY COUNCIL. IT SEEMS LIKELY THAT THE FMG WILL PERSIST IN THIS ATTITUDE, AT LEAST FOR SOME WEEKS.

9. TWO OTHER STATE VISITS OCCURRED DURING FEBRUARY AND MARCH. THE VISIT OF PRESIDENT KOUNTCHE OF NIGER HELPED SOMEWHAT TO HEAL THE WOUNDS LEFT BY THE RECENT BATTLE BETWEEN THE TWO COUNTRIES FOR A SECURITY COUNCIL SEAT. THE VISIT OF FRENCH FOREIGN MINISTER DE GUIRINGAUD TO LAGOS ACHIEVED LITTLE. THE FRENCH WERE BASICALLY INTERESTED IN PURSUING COMMERCIAL ADVANTAGES AND THE NIGERIANS WERE PRIMARILY INTERESTED IN QUESTIONING AND CRITICIZING FRENCH MOTIVES AND ACTIONS IN SOUTHERN AFRICA.

INTERNAL POLITICAL SCENE:

10. AS FAR AS WE CAN TELL, THE ABORTIVE PLOT BY DISGRUNTLED NCO'S BASED IN KADUNA NEVER HAD A REAL CHANCE OF SUCCEEDING

IT DEMONSTRATED NEVERTHELESS THAT THERE ARE ELEMENTS IN THE ARMY WHO ARE SUFFICIENTLY DISTURBED BY THE FEAR OF DEMOBILIZATION AND BY VARIOUS GRIEVANCES THAT SOME POTENTIAL

FOR A SERIOUS COUP ATTEMPT EXISTS. WE STILL BELIEVE, HOWEVER,
THAT A SUCCESSFUL COUP PRIOR TO THE INSTALLATION OF THE
CIVILIAN REGIME IN 1979 IS UNLIKELY.

11. OF CONSIDERABLE IMPORTANCE FOR THE FUTURE WAS THE
NATIONAL VOTER REGISTRATION EXERCISE WHICH CONCLUDED ON
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FEBRUARY 28 AND THE ANNOUNCEMENT OF THE POLITICALLY
SENSITIVE STATE-BY-STATE TOTALS ON MARCH 29. SHRUGGING OFF
CHARGES IN THE PRESS THAT THE REGISTRATION DEADLINE SHOULD
BE EXTENDED BECAUSE THOUSANDS OF VOTERS WERE AS YET
UNREGISTERED, THE FEDERAL ELECTORAL COMMISSION (FEDEC)
ANNOUNCED THAT 47.3 MILLION VOTERS HAD BEEN REGISTERED, A
SURPRISING 20 PERCENT MORE THAN THE PROJECTED FIGURE. THE
FEDECO DATA SHOWS THAT 52 PERCENT OF THE REGISTERED
VOTERS ARE IN STATES TRADITIONALLY CONSIDERED PART OF THE
NORTH: 36 PERCENT IN THE NORTH PROPER AND 16 PERCENT IN THE
SO - CALLED MIDDLE BELT STATES. THE FORMER EASTERN REGION
HAS 21 PERCENT OF THE VOTERS, THE FORMER WESTERN REGION 22
PERCENT, AND THE OLD MID-WEST 5 PERCENT OF THE ELECTORATE.
NORTHERNERS GREETED WITH QUIET SATISFACTION THESE RESULTS,
WHICH WILL DETERMINE THE ALLOCATION OF SEATS IN THE HOUSE
OF REPRESENTATIVES AND INFLUENCE THE STRENGTH AND TACTICS
OF THE FUTURE POLITICAL PARTIES.

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R 101200Z APR 78

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12. THE CONSTITUENT ASSEMBLY (CA) CONTINUED TO MAKE RAPID PROGRESS IN APPROVING THE TEXT OF A NEW CONSTITUTION AND SHOULD FINISH ITS WORK BEFORE THE OCTOBER 1 DEADLINE SET BY THE FMG. THE ASSEMBLY WORKED ITS WAY THROUGH THE SECTIONS OF THE DRAFT ON THE LEGISLAURE, FOR THE MOST PART ADOPTING THE TEXT PREPARED BY THE CONSTITUTIONAL DRAFTING COMMITTEE (CDC) WITH MINOR AMENDMENTS. ONE AMENDMENT WAS ACCEPTED TO INCREASE THE NUMBER OF MEMBERS OF THE HOUSE OF REPRESENTATIVES TO 450. ALTHOUGH VARIOUS GROUPS HAVE BEEN CALLING FOR THE CREATION OF NEW STATES, THE CA ADOPTED WITHOUT MUCH CONTROVERSY A COMPLICATED PROCEDURE WHICH WILL MAKE IT DIFFICULT UNDER THE CIVILIAN REGIME TO CREATE ADDITIONAL STATES.

13. SUBTERRANEAN POLITICS CONTINUED TO DEVELOP AS ASPIRING POLITICIANS AND EMBRYONIC GROUPINGS MANEUVERED FOR POSITION IN ANTICIPATION OF THE LEGALIZATION OF POLITICAL PARTIES. ONE OF THE MORE POLITICAL ACTIVITIES WAS CHIEF AWOLOWO'S TOUR OF OYO STATE IN FEBRUARY AIMED AT CONSOLIDATING HIS POSITION IN HIS FORMER ACTION GROUP STRONGHOLD. IT APPEARED HOWEVER, THAT THERE HAS BEEN A SUBSTANTIAL
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EROSION OF AWOLOWO'S SUPPORT IN YORUBALAND. SOME SPECULATION APPEARED IN THE PRESS REGARDING THE IDENTITY OF THE FUTURE PRESIDENT BUT BY AND LARGE THE FUTURE ALIGNMENT OF PLITICAL PARTIES REMAINED MURKY. NO CLEAR CUT GROUP OR EMBRYONIC PARTY HAS YET SURFACED, MUCH LESS AGREED UPON LEADERS OR LEADERSHIP GROUPS. IN THE NORTH THE INDICATIONS ARE THAT THE EMERGENT MAJOR POLITICAL GROUPINGS WILL TEND TO BE DOMINATED BY CONSERVATIVE OLDER POLITICIANS, PROBABLY WITH SOME YOUNGER AND MORE PROGRESSIVE MEN CO-OPTED.

THE ECONOMIC SCENE:

14. MOVING INTO APRIL, THE FMG SHIFTED FROM SLOGANS TO BELT TIGHTENING ACTION, ITS KEY PUNCH DELIVERED WITH THE NEW ANNUAL BUDGET ON MARCH 31. THE BUDGET IS 7 PERCENT BELOW LAST YEAR'S IN ABSOLUTE TERMS AND PERHAPS 30 PERCENT BELOW IN REAL TERMS, TAKING INFLATION INTO ACCOUNT. ACCOMPANYING THE BUDGET ARE DECONTROLLED PRICES AND SWEEPING NEW IMPORT RESTRICTIONS.

15. IN THE SHORT RUN, RESULTS WILL BE MIXED. WITH LESS MONEY IN CIRCULATION AND GOVERNMENT BUYING RESTRAINED, THE BUDGET IS DEFLATIONARY. HOWEVER, REMOVAL OF PRICE CONTROLS AND THE IMPOSITION OF IMPORT RESTRICTIONS IN THE ABSENCE OF IMPORT SUBSTITUTION INDUSTRIES WILL GIVE ANOTHER HEFTY

SHORT-TERM BOOST TO INFLATION, CURRENTLY RUNNING AS HIGH AS 40 PERCENT. HOPE FOR THE LONG RUN LIES IN THE CALCULATION THAT IMPORT BANS AND FREELY MOVING PRICES WILL STIMULATE INVESTMENT AND SIZEABLE GROWTH IN DOMESTIC PRODUCTION, LONG A MINISCULE, FEEBLE SEGMENT OF THE NIGERIAN ECONOMY. AS AN EXAMPLE OF WHAT IS HAPPENING, ESTABLISHED TRADING COMPANIES WHICH TRADITIONALLY IMPORTED FOREIGN GOODS AND REMITTED THE PROFITS TO FOREIGN BANKS ARE NOW ACTUALLY BRINGING IN MONEY FROM ABROAD TO FUND LOCAL FACTORIES. BUT FRESH NEW INVESTMENT FROM ABROAD REMAINS HESITANT.

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16. THE FMG IS FULLY AWARE THAT DOMESTIC SOURCES OF TECHNOLOGY AND MONEY ARE LIMITED AND THAT FOREIGN EQUITY HAS TO COME IN. THIS MAY LEAD TO A THOROUGH REAPPRAISAL OF WHAT CAN ACTUALLY BE DONE TO REPLACE LIP SERVICE ABOUT THE 'NEED FOR FOREIGN INVESTMENT' WITH GENUINE INCENTIVES. ECONOMIC REALITIES ARE ALREADY DEFLATING THE ARGUMENTS OF RADICALS WHO FAVOR STATE OWNERSHIP. THE GOVERNMENT IS PULLING BACK FROM PRODUCTION PROJECTS, IN SOME CASES DIVESTING ITSELF OF EQUITY. CROSS RIVER STATE, FOR EXAMPLE, IS PREPARING TO LET PRIVATE OWNERS BUY CHUNKS OF STATE-OWNED PLYWOOD, CEMENT AND OTHER PLANTS.

17. PROSPECTS FOR REAL GROWTH IN THE COMING YEAR ARE DIM. GOVERNMENT EXPENDITURES CAN NO LONGER FUEL THE ECONOMIC BOOM. PRIVATE SECTOR SPENDING FOR LARGE PROJECTS CAN FILL ONLY A FRACTION OF THE GAP. WHILE THE EMBARGO ON NEW GOVERNMENT CONTRACTS LAID DOWN IN NEAR PANIC IN JANUARY IS SHOWING NUMEROUS CRACKS, MORE MAJOR CAPITAL PROJECTS ARE LANDING IN DEEP STORAGE, THE LATEST BEING THE BILLION DOLLAR PETROCHEMICAL COMPLEX. STATE PROJECTS ARE EVEN MORE SEVERELY REDUCED. THIS WAS TO HAVE BEEN THE YEAR OF PRIVATE BANK LOANS TO INDIVIDUAL STATES, BUT PROSPECTS HERE LOOK INCREASINGLY BLEAK.

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18. CLEARLY LOOMING IS INCREASED UNEMPLOYMENT, THE QUESTION BEING WHETHER WORKERS CAN BE LED BACK TO THE FARM WHERE THEY ARE NEEDED. ON THE BRIGHTER SIDE, AGRICULTURE SEEMS A POTENTIAL GAINER FROM RECENT FMG BULLET-BITING DECISIONS. THE BUDGET ALLOCATES MORE FUNDS TO AGRICULTURE, LIBERALIZES TAXES FOR THE SECTOR, BANS A NUMBER OF COMPETITIVE IMPORTS, AND ENCOURAGES INVESTMENT IN AGRICULTURAL ENTERPRISES BY TRANSFERRING AGRICULTURAL PRODUCTION AND PROCESSING FROM SCHEDULE II (40 PERCENT FOREIGN OWNERSHIP) TO SCHEDULE III (60 PERCENT FOREIGN OWNERSHIP) OF THE INDIGENIZATION DECREE.

19. ON THE TRADE SIDE, U.S. EXPORTERS HAVE BEEN HURT BY THE NEW APRIL 1 RESTRICTIONS BUT EXPECTATIONS WERE THAT THE DAMAGE WOULD HAVE BEEN EVEN GREATER. FOOTWEAR, READY-MADE GARMENTS, AND FROZEN MEAT (INCLUDING POULTRY) ARE AMONG THE ITEMS BANNED OUTRIGHT. THE LOSS OF THE LATTER ESPECIALLY HURTS AS U.S. FROZEN POULTRY SALES WERE SOARING (E.G., LAGOS' NEWEST HOTEL DEVOURS 3,000 POUNDS OF AMERICAN CHICKEN PER WEEK). CARS AND TRUCKS HAVE HAD THEIR IMPORT DUTIES DOUBLED AND HAVE BEEN PUT UNDER LICENSE. INTENSE
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LAST MINUTE LOBBYING AND A SENSE OF REALITY WITHIN THE SMC LED TO THE REJECTION OF MINISTRY OF TRADE RECOMMENDATIONS THAT RICE AND CORN BE PUT UNDER LICENSE, A MOVE THAT WOULD HAVE PLAYED HAVOC WITH BURGEONING U.S. FOOD EXPORTS. A BRIGHT SPOT IN THE CURRENT TRADE SCENE, HOWEVER, IS THE ERADICATION OF A MAJOR BOTTLENECK IN LAGOS PORT. STORAGE SHEDS HAVE BEEN CLEARED, ALLOWING SHIPS TO DISCHARGE THEIR CARGOES MORE EFFICIENTLY. AS OF APRIL 1, THE OFFICIAL BACKLOG OF WAITING VESSELS WAS DOWN TO 35 AND THE QUEUE SHOULD CONTINUE TO SHRINK.

20. DECLINING OIL REVENUES, THE MAJOR CAUSE OF NIGERIA'S

AUSTERITY, WILL REMAIN A PROBLEM FOR THE FORESEEABLE FUTURE. INCOME HAS SUFFERED ON THREE COUNTS: FALLING GLOBAL OIL DEMAND, COMPETITION FROM NEW NORTH SEA AND NORTH SLOPE FIELDS, AND THE DECLINE IN THE DOLLAR'S EXCHANGE VALUE (ESTIMATED UP TO 300,000 DOLLARS A DAY IN LOST BUYING POWER). OUTPUT IS NOW DOWN TO APPROXIMATELY 1.51 MILLION BARRELS A DAY IN CONTRAST TO 2.26 MILLION BARRELS AT THIS TIME LAST YEAR. OIL COMPANIES, HOWEVER, FEEL THAT THE FMG IS MORE COOPERATIVE NOW THAN AT ANY TIME IN RECENT YEARS. THEY STATE THAT THE NIGERIANS HAVE COME TO 'THEIR SENSES' IN PRICING POLICIES AND ARE MAKING PROGRESS IN ADJUSTING THE OFFICIAL SELLING PRICE. DEMANDS MADE ON THE COMPANIES BY THE FMG FOR RENEGOTIATING COMPENSATION AGREEMENTS HAVE EVAPORATED, BUT THE THREAT OF REVISED TAX COMPUTATION ON SERVICE COMPANIES STILL LINGERS. NEVERTHELESS, PRICES WILL HAVE TO DECLINE FURTHER IF SALES ARE TO GO UP SUBSTANTIALLY.

21. FINANCIAL ACTIVITY IN THE YEAR AHEAD WILL BE CHARACTERIZED BY INTENSIVE SEARCHING FOR OFFSHORE LOANS. GENERAL PURPOSE
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CREDITS WILL BE HARD TO ATTRACT BUT LOANS TIED TO FOREIGN EXCHANGE EARNING PROJECTS SHOULD ENCOUNTER LITTLE RESISTANCE. TO MEET THE NEW BUDGET OF 8 BILLION NAIRA, THE FMG IS RELYING ON 3.7 BILLION NAIRA FROM RECURRENT REVENUES AND WILL SEEK THE BALANCE THROUGH 1.5 BILLION NAIRA IN NEW TAXES AND 2.8 BILLION NAIRA IN LOANS, 1.6 BILLION OF WHICH WILL BE EXTERNAL BORROWING. NEW REVENUE INFLOWS WILL COME FROM HIGHER TARIFFS, A STILL TO BE RESTRUCTURED INCOME TAX, INCREASED CORPORATE BUSINESS TAXES FROM 45 PERCENT TO 50 PERCENT, STATE TAXES ON PROFESSIONAL SERVICES, AND HIGHER PORT AND AIRPORT TAXES. ON THE LOCAL SCENE, RAMPANT BANK LIQUIDITY IN EARLY 1977 HAS GIVEN WAY TO VERY TIGHT LIQUIDITY INCAPABLE OF SERVICING LOAN DEMAND.

22. A CONTROVERSIAL NEW LAND TENURE DECREE OF MARCH 29 PUT CONTROL AND MANAGEMENT OF ALL LAND IN URBAN AREAS UNDER STATE GOVERNORS AND ALL OTHER LAND UNDER LOCAL GOVERNMENTS. IN URBAN AREAS, PERSONS HOLDING DEVELOPED LAND MAY RETAIN IT UPON OBTAINING A CERTIFICATE OF OCCUPANCY, WHILE THOSE HOLDING UNDEVELOPED LAND MAY KEEP ONE PLOT NOT EXCEEDING A HALF HECTARE IN SIZE. OCCUPIERS OF LAND USED FOR AGRICULTURE MAY RETAIN THEIR PROPERTY PENDING ACQUISITION OF A CERTIFICATE OF OCCUPANCY. EXTENDING A SYSTEM USED FOR SEVERAL YEARS IN THE NORTH, THE DECREE IS ENCOUNTERING MIXED REACTIONS. POORER CLASSES AND STUDENTS SEEM TO APPROVE, MOST OTHERS CRITICIZE THE DECREE AS ILLEGAL AND CONFISCATORY. WITH

RESPONSE ONLY NOW IN ITS INITIAL STAGES, THE DECREE
HAS THE POTENTIAL OF BECOMING A PROBLEM FOR THE PRESENT
REGIME.

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23. BILATERAL ECONOMIC COOPERATION WITH THE U.S. SHOULD
MOVE FORWARD WELL IN THE NEXT SEVERAL MONTHS. DURING THEIR
APRIL 1-2 TALKS IN LAGOS, CARTER AND OBASANJO AGREED ON
BILATERAL WORKING GROUP DISCUSSIONS TO BE HELD IN THE US
IN LATE APRIL ON INVESTMENT AND TRADE, TRANSFER OF
TECHNOLOGY, AGRICULTURAL DEVELOPMENT, AND EDUCATION. A
BUSINESS INTERNATIONAL CONFERENCE IN MID-MAY AND A U.S.-
NIGERIAN JOINT CONFERENCE ON INTERNATIONAL COMMERCE,
DEVELOPMENT AND TECHNOLOGY THEMSELVES IN NOVEMBER ARE
SCHEDULED IN LAGOS FOR FOLLOW-UP. FURTHER REINFORCING
THIS MOMENTUM IS THE PRESIDENT'S AUTHORIZATION FOR THE
CORPS OF ENGINEERS TO RAISE ITS PERSONNEL CEILINGS, THUS
CLEARING THE LAST ROADBLOCK FOR TRANSMITTAL OF THE COE
PROPOSAL FOR MASTER PLANNING FOR THE DEVELOPMENT OF THE
NIGER AND BENUE RIVERS. THE LACK OF AN ADEQUATE NATIONAL
DATA-GATHERING SYSTEM, AN ENDEMIC WEAKNESS OF NIGERIAN
MANAGEMENT, IS NOW BEING LOOKED AT BY THE U.S. BUREAU OF
CENSUS. USG INVOLVEMENT ALONG THESE LINES SHOULD FORECE-
FULLY BUTTRESS COMMERCIAL EFFORTS.

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24. THE ECONOMY'S IMPACT ON POLITICS WILL BE OF GROWING IMPORTANCE AS WE MOVE TOWARD OCTOBER OF 1979. FRUSTRATION AND PRIVATION ARE MOUNTING. IN ADDITION TO INFLATION, SCARCITIES, A HEAVY-HANDED SERIES OF UNSETTLING FEDERAL ECONOMIC DECREES, CHOPPED BUDGET REQUESTS AND REDUCED EMPLOYMENT OPPORTUNITIES, THE FAILURE OF THE GOVERNMENT'S HOUSING PROGRAM AND THE NEW FEDERAL DECREE PUTTING ALL UNDEVELOPED LAND INTO GOVERNMENT HANDS ARE PROVOKING CONTROVERSY. ONE LOGICAL RESPONSE TO THIS IS MORE CAREFUL FOCUS BY INCIPENT POLITICIANS ON ECONOMIC ISSUES. PLATFORMS SHOULD INCREASINGLY BE STRUCTURED WITH ECONOMIC PLANS. IT IS STILL QUESTIONABLE, HOWEVER, WHETHER THE GROWING IRRITATION FELT BY THE BUSINESS COMMUNITY AND THE POPULACE WILL BE ARTICULATED IN STRONG TERMS. CRITICISM OF THE MILITARY REGIME WILL DELIBERATELY BE MUFFLED SO AS NOT TO PROVOKE A REACTION AGAINST INDIVIDUALS OR THE DEMOCRATIC POLITICAL PROCESS PER SE. THOSE WHO HAVE SPOKEN UP, SUCH AS NORTHERN LEADER AMINU KANO WHO ASKED FOR A PRECISE FISCAL RENDERING OF ACCOUNTS WHEN THE FMG RELINQUISHES OFFICES, ARE ALREADY FEELING THE STING OF OFFICIAL RESENTMENT.

THE MILITARY SCENE:

25. AS A RESULT OF THE MARCH 1 MID-AIR COLLISION BETWEEN AN NAF MIG 21 'MONGOL' AND A NIGERIA AIRWAYS F-28 'FELLOWSHIP' AIRLINER AT KANO AIRPORT, A STRAIN HAS BEEN PLACED ON THE RELATIONS BETWEEN THE NAF AND SOVIET MAP PERSONNEL. A SOVIET INSTRUCTOR PILOT WAS IN COMMAND OF THE MIG THAT HIT THE F-28. THIS FACT HAS NOT BEEN RELEASED TO THE PRESS AND THE NAF HAS BEEN CRITICIZED FOR UNSAFE PRACTICES AT NIGERIA'S SEVERAL JOINT USE AIRDROMES. THE STRAIN HAS RESULTED FROM THE APPARENT CULPABILITY OF THE SOVIET INSTRUCTOR PILOT. THE CRITICISM OF NAF (MILD
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THOUGH IT HAS BEEN), AND THE FMG'S UNWILLINGNESS FOR POLITICAL REASONS TO ANNOUNCE THAT IT WAS A SOVIET PILOT WHO WAS RESPONSIBLE FOR THE ACCIDENT. THE NAF FOR ITS PART HAS MOVED ALL MIG 17'S FROM KANO AND IS ATTEMPTING TO REDUCE THE HEAT BY CUTTING BACK ON ITS ALREADY MINIMAL FIGHTER OPERATION.

26. THE FMG AND THE NIGERIAN ARMY HAVE CONTINUED THEIR CAMPAIGN TO CONVINCE THE PUBLIC THROUGH SPEECHES AND PUBLIC PRONOUNCEMENT THAT A METHODICAL AND TIMELY PROGRAM OF DEMOBILIZATION OF THE APPROXIMATELY 225,000

AN ARMY IS BEING PURSUED WITH VIGOR. DESPITE THE TRANSFER
AND TRAINING OF APPROXIMATELY 3,000 SOLDIERS DURING 1978,
FOR POLICE DUTIES AND THE ANNOUNCED FORMATION OF TWO
ADDITIONAL REHABILITATION CENTERS, HOWEVER, THE
DEMOBILIZATION PROGRAMS IS MOVING AT A SNAIL'S PACE.
PLAUED WITH ADMINISTRATIVE, GRATUITY, PENSION, AND
DISCHARGE PROBLEMS.

27. THE CONSULTATES IN IBADAN
AND KADUNA HAVE MADE CONTRIBUTIONS
TO THIS REPORT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, POLITICAL SUMMARIES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAGOS04430
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780154-0079
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780475/aaaacqib.tel
Line Count: 614
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7493aab3-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 LAGOS 1636
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3022598
Secure: OPEN
Status: NATIVE
Subject: BIMONTHLY REVIEW OF THE NIGERIAN SCENE
TAGS: PINT, ECON, MILI, NI
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/7493aab3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014